



ISSUE BRIEF: Financial Planning and Aid

Background

Access to a college education can be defined in a number of contexts: opportunity, geographic proximity, and affordability. College affordability has become a major public issue across the nation in recent years. The cost of attendance and financial aid availability are more important factors determining enrollment for low-income, African-American and Hispanic students, than for White, middle-income, and upper-income students (Heller, 1997). Adequate and timely financial planning for college by students and their families is critical, yet those students most at risk of not saving for college – low-income students and those from underrepresented racial/ethnic groups – are also the least likely to prepare financially for college. Additionally, low-income, African-American, and Latino families are less informed about financial aid; they tend to overestimate the cost of attending college and underestimate available aid (Longanecker and Blanco, 2003).

In 2002, public college costs amounted to 60 percent of yearly income of low-income families, and financial aid has not kept pace with increasing college costs: the average Pell grant now covers 25 percent of total costs at public four-year colleges – down from 47 percent in 1975 (College Board, 2002). In addition to the diminished “purchasing power” of Pell grants, the increasing dominance of loans in aid packages and the proliferation of merit-based aid at colleges and universities are strategies that are likely to widen further the gap in college participation between low-income and other students (Baum, 2003). Also, income tax credits for tuition payments benefit low-income families less than middle-income and high-income families. One study concludes that tax credits have failed so far to increase the number of low-income students going to college (Long, 2003).

State policy is especially important to help families plan for their children’s college education and to provide adequate support through financial assistance so that all students have both opportunity and choice. A well-grounded state financial assistance program is integrated with state fees/tuition and finance policies and reinforces students’ readiness for college (Longanecker and Blanco, 2003). Strategies to consider in strengthening family financial planning for college and state financial aid policies include:

- Support broad-based, well-researched marketing activities and the development and dissemination of college planning information to motivate underserved students and their families to prepare for college;
- Establish partnerships between superintendents and principals with higher education institutions to provide early and ongoing college planning information and financial aid application assistance;
- Seek guidance from families about what information and resources they need in order to support their children’s college aspirations;
- Give students extensive support in identifying and applying for financial aid, and in maximizing aid from all sources;
- Create need-based financial aid policies that are easy to understand, predictable, and that reinforce students’ preparation for college;
- Simplify the aid process;

- Align financial aid policies with state fee/tuition policies;
- Provide for early aid commitments guaranteeing students support if they take specific steps to prepare for college;
- Evaluate financial aid policies to determine whether they are achieving their goals and addressing public priorities.

Policymakers should require that comprehensive assessment be part of the program design for state financial aid programs. Misalignment between program intentions and implementation often is not recognized until after awards have been made (A Shared Agenda, 2004).

State Overview

For an Idaho resident, undergraduate, traditional, full-time student to attend BSU, ISU, LCSC or UI, it costs about **\$13,300 per year**. Ten years ago that student paid two-thirds of today's costs, **\$9,087**. Twenty years ago it cost less than half of today's cost, **\$6,267** (Idaho Fiscal Facts, 2004).

Of the \$13,300 it costs an Idaho resident to attend one academic year of higher education in Idaho, Student Fees count for one out of every four dollars; and room and board is the largest expense, averaging \$560 per month (Idaho Fiscal Facts, 2004).

The students with the greatest amount of unmet need are those with the lower family incomes. As a result, fewer students from low-income families pursue higher education. Approximately 80 percent of the high school graduates from high-income families go on to college while 50% of those from low-income families do so. Students from moderate income families also face significant unmet need.

Students address unmet need in a variety of ways. Some never enroll. Some attend part-time and work full-time which can lead to poor academic performance and delayed graduation. Some minimize expenses by living at home or not buying books. Others "stop out" or drop out of school until they've earned enough money to re-enroll. Some use credit cards. Some drop out after accumulating significant debt.

Policy Concerns

- Can the state use financial aid programs more effectively to meet the needs of students from low-income families?
- Can Idaho create a low-priced option to ensure that higher education is accessible and affordable to its residents?
- Does the state have adequate assessment measures to determine the effectiveness of its financial aid opportunities?
- Does the state have a comprehensive, systemic plan to provide financial planning information to all families?
- Does the state have adequate assessment measures to determine the effectiveness of its current or proposed marketing strategies, financial aid opportunities, and financial planning options?
- Are state and institutional aid programs designed to coordinate with each other?
- Do the state's aid policies support, rather than impede, student transitions?
- Do financial aid policies at state and institutional levels assure financially needy students access to and choice among postsecondary programs without regard to their ability to pay?